

Legislative Fiscal Bureau

Fiscal Note

HF 2378 - Enterprise Zone Program (LSB 5305 HV)

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Fiscal Note Version - New

Description

House File 2378 changes the references to the 1990 census to the 2000 census which changes the counties and cities meeting the economic distress criteria. Those meeting the criteria under the 1990 census can continue to designate enterprise zones until the end of FY 2003. Counties under the 2000 census can designate enterprise zones until the end of FY 2005. The radius of an enterprise zone is expanded from one mile to three miles. Housing businesses are excluded from the expanded enterprise zone benefits. A development business is required to have an agreement to lease at least 75.0% of the space to one business tenant and create at least ten jobs. The Bill makes various other eligibility and criteria modifications.

Assumptions

1. An estimated 13 counties and three cities will become eligible due to the updating to the 2000 census. The three cities are unlikely to be considered blighted. The net effect of adding the new areas and ceasing activity in those no longer eligible will result in a 20.0% increase in tax credits.
2. The restrictions for Development Businesses are estimated to reduce overall use by 5.0%.
3. There will be a two-year lag in the impact of these changes for application, certification, and implementation of new enterprise zones.
4. The extension of the radius of an enterprise zone up to three miles will add one additional business project every other year, beginning in FY 2004. The average cost in tax credits per business project is \$126,000 per year.
5. Current reductions in taxes due to the Enterprise Zone Program are approximately \$5.4 million per year. Enterprise zone tax credit costs increase each year because new companies qualifying for tax credits and because of unused credits being carried forward.
6. Tax exemptions for local property taxes are under the control of local authorities and are not included in this estimate.
7. Data are not available to estimate the benefits derived from enterprise zone incentives.
8. The Department of Economic Development will perform duties relative to this change with existing staff.

Fiscal Impact

The changes in HF 2378 are projected to cost \$126,000 in tax credit usage in FY 2004 and \$810,000 in FY 2005.

Source

Department of Economic Development

/s/ Dennis C Prouty

February 27, 2002

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
